

EXHIBIT A

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COMPANY CONFORMED NAME: HUMPHREY HOSPITALITY TRUST INC

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STANDARD INDUSTRIAL CLASSIFICATION: REAL ESTATE INVESTMENT TRUSTS [6798]

IRS NUMBER: 521889548

STATE OF INCORPORATION: VA

FISCAL YEAR END: 1231

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BUSINESS ADDRESS:

STREET 1: 12301 OLD COLUMBIA PIKE

CITY: SILVER SPRING

STATE: MD

ZIP: 20904

BUSINESS PHONE: 3016804343

MAIL ADDRESS:

STREET 1: 12301 OLD COLUMBIA PIKE

CITY: SILVE SPRING

STATE: MD

ZIP: 20904

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SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-K

|X| ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES

EXCHANGE ACT OF 1934 For the fiscal year ended December 31, 1999

|_| TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934
For the transition period from _____ to _____

Commission File Number: 0-25060

HUMPHREY HOSPITALITY TRUST, INC.
(Exact name of registrant as specified in its charter)

Virginia 52-1889548
(State of Incorporation) (I.R.S. employer
identification no.)

12301 Old Columbia Pike, Silver Spring MD 20904 (301) 680-4343
(Address of principal executive offices) (Registrant's telephone number)

Securities registered pursuant to Section 12(b) of the Act: None

Securities registered pursuant to Section 12(g) of the Act:

Common Stock, \$.01 par value
(Title of Class)

THE NASDAQ STOCK MARKET
(Name of Market)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months and (2) has been subject to such filing requirements for the past 90 days.

YES X NO _____

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10K. |X|

The aggregate market value of the voting stock held by non-affiliates of the registrant was approximately \$77,516,455 based on the last sale price in The Nasdaq Stock Market for such stock on March 20, 2000.

The number of shares of the registrant's common stock outstanding was 11,173,543 as of March 20, 2000.

Documents Incorporated by Reference

Part III of the Registration Statement is incorporated by reference from the Company's proxy statement for its 2000 Annual Meeting.

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain information both included and incorporated by reference in this Form 10-K may contain forward-looking statements within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act, and as such may involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from future results, performance or achievements expressed or implied by such forward-looking statements. Forward-looking statements, which are based on certain assumptions and describe our future plans, strategies and expectations are generally identifiable by use of the words "may," "will," "should," "expect," "anticipate," "estimate," "believe," "intend" or "project" or the negative thereof or other variations thereon or comparable terminology. Factors which could have a material adverse effect on the operations and future prospects of the Company include, but are not limited to, changes in: economic conditions generally and the real estate market specifically, legislative/regulatory changes (including changes to laws governing the taxation of real estate investment trusts), availability of capital, interest rates, competition, supply and demand for hotel rooms in the Company's current and proposed market areas and general accounting principles, policies and guidelines applicable to real estate investment trusts. These risks and uncertainties

should be considered in evaluating any forward-looking statements contained or incorporated by reference herein.

PART I

Item 1. Description of Business

(a) General Development of Business

Humphrey Hospitality Trust, Inc. was incorporated under the laws of the Commonwealth of Virginia on August 23, 1994 and is a real estate investment trust ("REIT") for federal income tax purposes. Humphrey Hospitality Trust, Inc., through its wholly owned subsidiaries, Humphrey Hospitality REIT Trust and E&P REIT Trust (collectively, the "Company"), owns a controlling interest in Humphrey Hospitality Limited Partnership and E&P Financing Limited Partnership (the "Partnerships"). As of December 31, 1999, the Company owned a 92.79% interest in Humphrey Hospitality Limited Partnership. Humphrey Hospitality Limited Partnership owns a 99% general partnership interest and the Company a 1% limited partnership interest in Solomons Beacon Inn Limited Partnership (the "Subsidiary Partnership").

As of December 31, 1999, the Company, through the Partnerships and the Subsidiary Partnership, owned 88 existing limited service hotels (the "Hotels"), including 63 hotels acquired during 1999, and one office building. The Hotels (containing approximately 6,200 rooms in 19 states) and office building are leased to Humphrey Hospitality Management, Inc. and its subsidiary Supertel Hospitality Management, Inc. (collectively, the "Lessee").

On October 30, 1996, the Common Stock began to trade on The Nasdaq Stock Market. Prior to that date, the Common Stock was traded on The Nasdaq SmallCap Market. The Company believes that by trading on The Nasdaq Stock Market, shares of the Common Stock may become more liquid, and the shareholder base of the Company may expand geographically and structurally with the potential for the Common Stock to be held by residents of almost every state and by institutional investors.

From its inception in late 1994 through mid-1998, the Company had completed four capital stock offerings, permitting it to grow from eight hotels to twenty-five hotels. Through these years the Company entertained a variety of strategies in order to grow the company, including major acquisitions, additional capital offerings and strategic alliances. The Company's board concluded in mid-1998 that the consolidation in the lodging industry, and the difficult capital markets environment that existed in 1998 for hotel real estate investment trusts to raise additional capital, made it necessary to seek possible business combinations with other companies in order to continue to grow.

On October 26, 1999, the Company and Supertel Hospitality, Inc. ("Supertel"), consummated a merger pursuant to which the Company exchanged 1.30 shares of its common stock for each outstanding share of Supertel's common stock (the "Merger"). As a result of the Merger and in accordance with the provisions of Accounting Principles Board Opinion No. 16, "Business Combinations," Supertel is considered the acquiring enterprise for financial reporting purposes. Accordingly, the financial statements herein present Supertel's historical financial information for periods prior to the Merger. So that the Company could continue to qualify as a REIT after the Merger, the Merger agreement provided for the shareholders of Supertel to receive a pre-closing dividend of Supertel's earnings and profits. The earnings and profits dividend of \$5.13 per share was paid to Supertel shareholders on October 25, 1999. The boards and shareholders

The Board of Directors may change the Company's Investment Policy without shareholder approval.

Replacement Reserves. The Percentage Leases obligate the Partnerships or the Subsidiary Partnership, as applicable, to make available to the Lessee an amount equal to 6% of room revenue per quarter, on a cumulative basis, for upgrading and maintaining the Hotels ("Replacement Reserve Deposits").

Operating Practices. The Lessee utilizes a centralized accounting and data processing system, which facilitates financial statement and budget preparation, payroll management, internal auditing and other support functions for the on-site hotel management team. The Lessee provides centralized control over purchasing and project management (which can create economies of scale in purchasing) while emphasizing local discretion within specific guidelines.

Each Hotel managed by the Lessee employs a general manager who is responsible for the overall operations of the Hotel. General managers report to regional managers, who generally have responsibility for six to nine Hotels.

Daily operations are managed using a centralized approach through regional operations managers who report to the Lessee's offices as applicable. The Lessee's strategy is to encourage decision-making by those people closest to the hotel operation level at the lowest administrative cost.

Property Management. In order for the Company to qualify as a REIT, neither the Company, the Partnerships nor the Subsidiary Partnership can operate hotels. Therefore, each of the Hotels is leased to the Lessee under Percentage Leases. Mr. Humphrey is the majority shareholder of the Lessee.

Competition. The hotel industry is highly competitive. Each of the Hotels is located in a developed area that includes other hotel properties. The number of competitive hotel properties in a particular area could have a material adverse effect on revenues, occupancy and the average daily room rate ("ADR") of the Hotels or at hotel properties acquired in the future.

The Company may be competing for investment opportunities with entities that have substantially greater financial resources than the Company. These entities generally may be able to accept more risk than the Company can prudently manage. Competition in general may reduce the number of suitable investment opportunities offered to the Company and increase the bargaining power of property owners seeking to sell. Further, the Company believes that competition from entities organized for purposes substantially similar to the Company's objectives could increase significantly.

Employees. The Company has an agreement between it and the Lessee (the "Services Agreement") to provide accounting and securities reporting services for the Company. Until the Merger, the Services Agreement provided that the Lessee would perform such services for an annual fee of \$100,000 per year. At the time of the Merger, the Company and the Lessee executed an amendment to the Services Agreement that increased the annual fee to \$300,000 per year. For the period from October 26, 1999 through December 31, 1999, the Company paid \$50,000 pursuant to the Services Agreement. The Lessee employs approximately 1,900 people in operating the hotels. The Lessee has advised the Company that its relationship with its employees is good.

Business Risks. The Hotels are subject to all operating risks common to the hotel industry. These risks include, among other things, competition from

other hotels; recent over-building in the hotel industry, which has adversely affected occupancy and room rates; increases in operating costs due to inflation and other factors, which increases have not in recent years been, and may not necessarily in the future be, offset by increased room rates; significant dependence on business and commercial travelers and tourism; increases in energy costs and other expenses of travel; and adverse effects of general and local economic conditions. These factors could adversely affect the Lessee's ability to make lease payments and, therefore, the Company's ability to make expected distributions to shareholders. Further, decreases in room revenue at the Hotels will result in decreased revenue to the Partnerships and the Subsidiary Partnership, as applicable, under the Percentage Leases.

The Company must rely on the Lessee to generate sufficient cash flow from the operations of the hotels to enable the Lessee to meet the rent obligations under the Leases. The obligations of the Lessee are unsecured. The Lessee has only nominal assets, consisting primarily of working capital.

The Company's investments are subject to varying degrees of risk generally incident to the ownership of real property. The underlying value of the Company's real estate investments, as well as the Company's income and ability to make distributions to its shareholders, is dependent upon the ability of the Lessee to operate the Hotels in a manner sufficient to maintain or increase revenue and to generate sufficient income in excess of operating expenses to make rent payments under the Leases. Income from the Hotels may be adversely affected by changes in national or local economic conditions, changes in neighborhood characteristics, competition from other hotel properties, changes in present or future environmental legislation and laws, changes in the ongoing need for capital improvements, changes in real estate tax rates and other operating expenses, changes in governmental rules and fiscal policies, civil unrest, acts of God (including earthquakes and other natural disasters), which may result in uninsured losses, acts of war, changes in zoning laws and other factors that are beyond the control of the Company and the Lessee.

Capitalization Policy. Hotel properties are carried at the lower of cost or net realizable value. In September 1999, the Company determined that the carrying value of the hotel in Bullhead City, Arizona, exceeded its fair value.

Accordingly, an impairment loss of approximately \$1,300,000, which represents the excess of the carrying value over the fair value, net of costs to sell, was charged to operations in 1999.

Environmental Matters. Under various federal, state and local laws and regulations, an owner or operator of real estate may be liable for the costs of removal or remediation of certain hazardous or toxic substances on such property. Such laws often impose liability without regard to whether the owner knew of, or was responsible for, the presence of hazardous or toxic substances. Furthermore, a person that arranges for the disposal or transports for disposal or treatment of a hazardous substance at a property owned by another party may be liable for the costs of removal or remediation of hazardous substances released into the environment at that property. The costs of remediation or removal of hazardous substances may be substantial, and the presence of hazardous substances, or the failure to promptly remediate hazardous substances, may adversely affect the owner's ability to sell real estate or use real estate as collateral. In connection with the ownership and operation of the Hotels, the Company, the Partnerships, the Subsidiary Partnership or the Lessee, as the case may be, may be potentially liable for any such costs.